

COPY

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Dav. Co. Chancery Court

IN THE CHANCERY COURT OF THE STATE OF TENNESSEE
TWENTIETH JUDICIAL DISTRICT, DAVIDSON COUNTY

STATE OF TENNESSEE, ex rel.,)
PAULA A. FLOWERS,)
Commissioner of Commerce and)
Insurance for the State of Tennessee,)
)
Petitioner,)
v.)
)
EXCHANGE INSURANCE COMPANY,)
a Tennessee domiciled insurance company,)
)
Respondent.)

NE
No. 03-3731-IV

notice of entry requested

FILED
2005 JUN - 8 AM 9:31
CLERK & MASTER
DAVIDSON CO. CHANCERY CT.
[Signature]
D.C.&M.

**ORDER SETTING A HEARING DATE ON PLAN OF REHABILITATION AND
PRESCRIBING NOTICE**

Upon considering the Motion of Paula A. Flowers, Commissioner of the Department of Commerce and Insurance for the State of Tennessee, in her capacity as Rehabilitator of Exchange Insurance Company ("EIC"), and Kathy Fussell, Special Deputy Rehabilitator of EIC, under Tenn. Code Ann. § 56-9-303(e) for an order 1) scheduling a hearing on the Rehabilitator's Motion to Approve Plan of Rehabilitation of EIC, and Plan, filed in this Court, and 2) prescribing the content and breadth of the Notice to be given by the Rehabilitator for the Plan Hearing; that was filed for hearing on May 27, 2005, and no response having been filed with the Court, this Court finds good cause for the relief requested therein, and ORDERS as follows:

1) The date for public hearing and commentary on the Rehabilitator's Motion to Approve Plan of Rehabilitation shall be **August 3, 2005 at 10:00 a.m.**; Written Responses or

Objections to the Motion shall be filed in the Clerk & Master's Office of this Court on or before close of business on July 27, 2005.

2) The Court prescribes and approves the Notice attached hereto as Exhibit A to be mailed and published [as set forth in paragraph 6 in the Motion for Scheduling Order] as follows:

A. Upon the entry of this Order setting a hearing for the Motion to Approve Plan, the Rehabilitator will serve as soon as practicable, the Notice of Hearing, a form of which is attached hereto as Exhibit A, by regular mail upon NLIC, NLASCO, and the last known addresses as indicated by the records of EIC of:

i. Notary bond and fidelity bond principals/policyholders with bonds that were still effective on or after April 1, 2003;

ii. Surety obligees on notary bonds (the office of county clerk in each of the 95 counties of Tennessee, see Tenn. Code Ann. § 8-16-104);

iii. The Tennessee Department of Environment and Conservation (former obligee of EIC's discharged oil and gas bonds);

iv. Known claimants;

v. Current creditors including unclaimed property owners for amounts over \$50 (Fifty dollars);

vi. EIC's shareholders and board of directors;


vii. and insurance agents on record as agents for EIC at any time after May 2001;

B. To afford other reasonable notice to the general public, the Rehabilitator will also publish the Motion, the attached Plan, and the Agreement

of Assumption between EIC and NLIC, which is an exhibit to the Plan, on the website of the Tennessee Department of Commerce and Insurance portion devoted to significant documents from this Proceeding, and will publish said Notice (Exhibit A hereto) in newspapers of general circulation in the metropolitan Knoxville, Nashville, and Memphis, Tennessee areas.

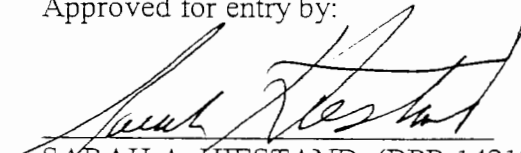
Certification that any prescribed steps taken to give notice shall be filed or placed into evidence at the hearing of the Plan.

IT IS SO ORDERED:




CHANCELLOR

Approved for entry by:



SARAH A. HIESTAND (BPR 14217)
Senior Counsel
Attorney General, Financial Division
P.O. Box 20207
Nashville, TN 37202
(615) 741-6035 fax (615) 532-8223



HUGH O. BROCK (BPR 22645)
Chief Counsel for Insolvency and Receivership
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway, 9th Floor
Nashville, TN 37243
(615) 741-6173 fax (615) 532-2862

Attorneys for Paula A. Flowers, Commissioner of Commerce and Insurance for the State of Tennessee, as Rehabilitator of Exchange Insurance Company, and Kathy Fussell, Special Deputy Rehabilitator

IN THE CHANCERY COURT OF THE STATE OF TENNESSEE
TWENTIETH JUDICIAL DISTRICT, DAVIDSON COUNTY

STATE OF TENNESSEE, ex rel.,)	
PAULA A. FLOWERS,)	
Commissioner of Commerce and)	
Insurance for the State of Tennessee,)	No. 03-3731-IV
)	
Petitioner,)	
v.)	
)	
EXCHANGE INSURANCE COMPANY,)	
a Tennessee domiciled insurance company,)	
)	
Respondent.)	

NOTICE OF HEARING ON REHABILITATOR'S MOTION TO APPROVE PLAN OF
REHABILITATION AND PLAN

TO POLICYHOLDERS, CREDITORS, SHAREHOLDERS AND OTHER INTERESTED
PARTIES RE: EXCHANGE INSURANCE COMPANY

PLEASE TAKE NOTICE. On May 27, 2005, the Commissioner of Commerce and Insurance, in her capacity as Rehabilitator of Exchange Insurance Company ("EIC"), filed her Motion for Scheduling Order Setting Hearing on Plan of Rehabilitation, and her Motion to Approve Plan of Rehabilitation ("Motion"), and Plan ("Proposed Plan"), with the Chancery Court of Davidson County, Tennessee, Case No. 03-3731-IV. The Rehabilitator is asking the Court to approve the Proposed Plan. If approved, the remaining insurance policy and notary bond obligations of Exchange Insurance Company will be assumed by National Lloyds Insurance Company ("NLIC") and EIC will be discharged from those obligations as described in the transaction. EIC will pay NLIC some of its assets for this transaction, the other assets to remain in EIC, and EIC would then cease doing business as an insurance company and surrender its certificate of authority to the Tennessee Department of Commerce and Insurance.

The Court has ordered that the Motion and the Proposed Plan be considered at a hearing on August 3, 2005 at 10:00 a.m., in Part IV of the Davidson County Chancery Court, located at First Image Building, Second Floor, 501 Great Circle Rd., Nashville, TN 37228. If any person affected by the Proposed Plan wishes to be heard in response to the Proposed Plan, the response must be filed in the Davidson County Chancery Court, Clerk & Master's Office, by no later than July 27, 2005, and a copy served on or before that date to the Rehabilitator's counsel, Sarah A. Hiestand, Senior Counsel, Financial Division, Tennessee Attorney General's Office, P.O. Box 20207, Nashville, TN 37202-0207 (or by fax to 615-532-8223) Copies of the Motion to Approve Plan of Rehabilitation, and Plan, may be viewed on the worldwide website: <http://www.state.tn.us/commerce/insurance/companyactions.html> under "Exchange Insurance" or may be requested from Rehabilitator's counsel.

[Exhibit A]

CERTIFICATE OF SERVICE

I hereby certify that a true and exact copy of the foregoing Proposed Scheduling Order on Plan of Rehabilitation has been delivered by U.S. Mail postage prepaid to the parties receiving the Motion for Scheduling Order, this 7th day of June, 2005.

Respondent

Mr. Martin Cohen
Chairman, (inactive) Board of Directors
Exchange Insurance Company
6330 Torrington Road
Nashville, Tennessee 37205

ROMELCO, Inc. (81% owner of EIC)
Marcia Cohen, Registered Agent
6330 Torrington Road
Nashville, TN 37205

Mr. Robins S. Ledyard
Bass, Berry & Sims
315 Deaderick Street, Suite 2700
Nashville, TN 37238-3001
615-742-6259 fax 615-742-6293
Courtesy copy

Management Agreement Contacts:

National Lloyds Insurance Company
Greg Vanek, President
P.O. Box 2650
Waco, Texas 76702-2650
Fax (254) 399-0765

NLASCO Services, Inc.
Attn: Gordon Robinson
900 Austin Avenue, 12th floor
Waco, Texas 76701
Fax (254) 756-0050

Pat Beard, Esq.
Beard & Kultgen
5400 Bosque Blvd., Suite 301
Waco, Texas 76710
Fax (254) 776-3591


SARAH A. HIESTAND

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